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IN 1967 THE COUNTRY AVERTED AN ECONOMIC DOWNTURN AND CONTINUED INSTEAD TO COMPLETE ITS 7TH CONSECUTIVE YEAR OF EXPANSION. ALTHOUGH GAINS FOR THE YEAR AS A WHOLE WERE SMALL IN COMPARISON WITH THE SHARP ADVANCES OF THE PREVIOUS 2 YEARS, BY YEAREND, THE FORCES OF GROWTH WERE ABUNDANTLY EVIDENT AND POINTED TO A RENEWAL OF IMPROVEMENT IN THE EMPLOYMENT SITUATION. BY THE END OF 1967, THE OVERALL UNEMPLOMENT RATE AND THE RATES FOR MOST (BUT SIGNIFICANTLY NOT ALL) GROUPS IN THE LABOR FORCE WERE THE LOWEST SINCE THE KOREAN WAR. A TYPICALLY MORE-DELAYED RECOVERY CHARACTERIZED THE VULNERABLE GROUPS. LARGE NUMBERS OF THESE WORKERS HAVE ONLY RECENTLY BEGUN TO BENEFIT FROM THE ADDITIONAL JOBS, OCCUPATIONAL UPGRADING, AND RISING INCOMES THAT HAVE ACCOMPANIED HIGH AND SUSTAINED ECONOMIC GROWTH. BUT THE FIRST SIGNS OF ECONOMIC SLOWDOWN IN 1967 WERE REFLECTED IN LAYOFFS OF BLUE-COLLAR WORKERS AND IN RISING UNEMPLOYMENT AMONG UNSKILLED WORKERS, NEGROES, AND TEENAGERS. RENEWAL OF THE ECONOMIC EXPANSION BROUGHT TO THE FORE THE DANGERS THAT ATTEND RAPID GROWTH, SUCH AS RAPIDLY RISING PRICES, INCREASED COSTS OF PRODUCTION, AND INDUSTRIAL SHIFTS, WHICH COULD RESULTS IN UNBALANCED GROWTH AND THREATEN CONTINUATION OF PRESENT PROGRESS. AT A TIME WHEN THE NATION IS POISED TO MOVE ON TO FULL EMPLOYMENT, A POLICY OF CAREFULLY SELECTING BALANCED GROWTH TARGETS THAT WILL MAKE THE GREATEST RELATIVE IMPACT ON THE DISADVANTAGED IS INDICATED. THIS CHAPTER APPEARS IN "MANPOWER REPORT OF THE PRESIDENT AND REPORT ON MANPOWER REQUIREMENTS, RESOURCES, UTILIZATION, AND TRAINING" (1968) AVAILABLE AS VT 001 025. (ET)

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REVIEW OF MANPOWER DEVELOPMENTS IN 1967

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TRENDS IN EMPLOYMENT AND UNEMPLOYMENT

The Nation's economy in 1967 started weakly and ended strongly. Against a total performance of only small gains, the renewal of strength at year's end heralded better things to come in 1968, along with renewal of the problems that attend rapid growth. Even though total job gains in 1967 were below those of the 2 previous banner years, and further progress in reducing unemployment was postponed, the country could nevertheless take satisfaction in the temporary nature of the economic pause and the fact that it passed without serious job dislocations. On balance, the economy continued for an unprecedented 7th year without losing the upward thrust of growth which, during that long period, was the wellspring of new jobs and improvement in living standards—for most but not all Americans.

The record of 1967 evoked more hope than discouragement, but nevertheless produced signficant elements of each. Largely because of the faltering first half of the year, the Nation's output of goods and services in 1967 rose by only 2.5 percent over 1966, for the lowest annual rate of gain since the recession year of 1961. It was not a pace that, over any length of time, would be adequate to either achieve or sustain full employment. Such small growth in output cannot provide enough new jobs for the growing population and for meeting the re-

1967 IN THE CONTEXT OF THE CURRENT EXPANSION

	1961	1966	1967	Change, 1966–67		Average annual change, 1961–67	
				Number	Percent	Number	Percent [1]
(Billions)							
GNP in current dollars	$520.1	$743.3	$785.1	$41.8	5.6	$44.2	7.1
GNP in 1958 dollars	497.2	652.6	669.2	16.6	2.5	28.7	5.1
(Thousands)							
Total employment	65,746	72,895	74,372	1,477	2.0	1,438	2.1
Nonfarm payroll employment	54,042	63,982	66,066	2,084	3.3	2,004	3.4
Unemployment	4,714	2,875	2,975	100	3.5	—290	—7.4
(Percent)							
Unemployment rate	6.7	3.8	3.8	0	0	—.5	—9.0

[1] Compounded at annual rates.

NOTE: Gross national product and nonfarm payroll employment figures for 1967 are preliminary.

quirements of rising productivity. Neither can it create enough goods and services to raise the level of living and provide the means to meet this country's tremendous social needs at home and its obligations abroad.

Disturbing, too, was the continuation of the previous year's sharp increase in prices and in unit labor costs. The critical question posed at the beginning of 1968 was whether these disturbing trends would continue or whether the upward pressures on prices would ease with the growing abundance of goods, productivity growth increase with the rising scale of production, and wage demands moderate with the recognition of the need for greater economic stability.

The most reassuring element was the continued evidence at yearend of the same sources of strength which, over the long period of growth that began in 1961, added a quarter of a trillion dollars to the yearly output of goods and services and created over 12 million additional jobs in industry. The relative affluence of the great majority of individuals was one of these resources, in spite of the poverty that continued to afflict a significant minority.

As 1968 began, personal income was again rising and a large reserve of savings provided a potential for even greater growth in consumer purchases of goods and services. The temporary imbalance between the rate at which goods were being produced and the rate at which the economy was consuming them seems to have been overcome during the first half of 1967, without serious disruption in the employment situation and without spiraling effects. With the firming of consumer demand, business investment spending resumed its growth, responsive again to the long-range certainties that the population would not merely increase but that its workers would produce more and live better.

Government expenditures at both local and national levels continued to increase to meet growing domestic social and economic needs and the requirements of the war in Vietnam. Although expenditures for defense continued to influence significantly the patterns of economic activity and employment in 1967, these expenditures appear to have reached a plateau during the last half of the year. They were of materially less importance in the rapid growth that resumed in the latter half of 1967 than during the previous 2 years. But even when the Vietnam hostilities stop, as eventually they must, and the conversion of military efforts can be accomplished, vast needs stemming from national growth and urbanization, and the commitment to abolish poverty, will lay a claim on Government that can be expected to continue to require large public investment.

The Nation's manpower resources also demonstrated strength and flexibility in 1967. Women continued to enter the labor force in increasingly large numbers and more adult men became available for work. And even though no further progress was made in reducing unemployment, at least the gains of the past few years were generally maintained. However, the continuation of intolerably high rates of unemployment among Negroes and youth remained a critical national problem.

The slower rate of production during early 1967 somewhat reduced the pressures on labor supply. The prospective availability of more adult men as workers, because of the continued entry into the labor force of large numbers of persons born during and following World War II, provided a basis for expanding economic activity with substantially less threat of labor shortages than had seemed likely 2 years ago.

Summary of Developments in 1967

The Nation's total output of goods and services rose to $785 billion in 1967, an increase of $42 billion over the previous year. Of this increase, $23 billion, or more than half, was accounted for by rising prices (a 3 percent increase based on the GNP accounts), yielding a real gain in output of 2.5 percent. This rate of real growth was well below the post-World War II average of 4 percent and contrasted sharply—perhaps was a reaction to—the unusually rapid but unbalanced rate of gain of 5.8 percent in 1966. Viewed in perspective, the Nation's total output has risen virtually without interruption since the beginning of 1961, and was over 40 percent greater by the close of 1967.

Despite the pause in growth during the early part of 1967, the economy was able to accommodate the temporary cutbacks in output without severe employment dislocations and to resume growth at a pace sufficiently high to yield gains in most sectors for the year as a whole. The rapid readjustment and resumption of growth preserved the continuity and momentum of economic expansion so important to the social and economic progress achieved in recent years. Continued rapid economic growth has been vital in providing an effective context for manpower programs, both for upgrading the labor force and for razing obstacles to employment of the disadvantaged. The long duration of this growth has brought the country progressively to more favorable ground from which to attack the stubborn problems of poverty and hard-core unemployment.

The significant developments in the rapid readjustment in the first half of 1967 were these:

1. Moderate declines in production worker employment in the durable goods manufacturing industries (about 4 percent from January to July) occurred at the same time as did small gains in nonproduction worker employment and much larger gains in service-producing industries and government. These kinds of diverse movements are often offsetting only temporarily and may lead to dislocation of workers and an increase in unemployment. But during the first half of 1967 there was a general employment expansion and few additions to the work force, so that the dislocations resulted in only small increases in unemployment of apparently short duration.

2. Part of the output decline was accommodated by reductions in hours of work. Since industry had been operating at above the normal workweek, the cutbacks were primarily reflected in reduced overtime hours.

3. Expectations of a resumption in growth were apparently so strong that personnel, especially overhead or nonproduction workers, were retained even during the slack period. This, however, was a factor in the low rate of productivity growth.

4. Growth in the civilian labor force was below normal during the first part of the year, when production was slack.

The pickup in the economy in the last half of 1967 was reflected in these developments:

1. Real GNP rose by nearly 4½ percent, on an annual basis, between the second and final quarters.

2. The labor force rose by approximately 1½ million and total employment by a somewhat smaller amount.

3. Employment on nonfarm payrolls increased by 1.2 million between June and December.

4. Because of the large increase in the labor force, the unemployment rate edged up slightly between the second and fourth quarters, but by December the rate had come down to 3.7 percent.

The contrary movements during the year yielded gains for the year as a whole comparable with many past years, but far below the large advances of 1965 and 1966. In terms of annual averages, the principal developments in the employment situation were:

1. Total employment rose by 1.5 million to 74.4 million in 1967. The increase was 300,000 lower than the previous year.

2. Rapid expansion of the labor force in the last half of 1967 offset the earlier slow growth and resulted in a greater-than-projected increase for the year.

3. The 1967 job increase was slightly less than the expansion of the labor force; as a result, the number of unemployed increased by 100,000, to an average of 3 million. Because of the larger labor force, the unemployment rate remained unchanged at 3.8 percent of the labor force.

4. The number of workers on nonfarm payrolls increased by 2.1 million, to 66.1 million in 1967. The gain was almost entirely in the service sector.

5. Average weekly hours of factory production workers dropped by nearly one full hour to 40.6 hours. About half the reduction occurred in overtime. Despite the shorter hours, average weekly earnings rose by $2.56 to a record level of $114.90, as a result of an 11-cent rise in average hourly earnings to $2.83. If the rise in consumer prices is taken into account, then real weekly earnings of factory workers actually declined by 1 percent between 1966 and 1967.

6. Agricultural employment continued its long-term decline, though not at the same precipitous rate as the year before. Farm jobs edged down by 135,000, about two-thirds the average decline of the past 20 years, to 3.8 million. In 1966, when job opportunities off the farm were plentiful throughout the year, farm employment dropped by 400,000.

Since the end of World War II the total decline in agricultural employment has amounted to more than 50 percent.

7. Unemployment rates for nonwhites (7.4 percent) and for teenagers (13 percent) were roughly the same as in 1966—and still far too high.

The Economic Background

The pattern and scale of job growth in 1967 reflected the reduced rate of economic expansion early in the year as well as the subsequent recovery. The reaction to the slowdown in production was remarkably small, just as the economic readjustment itself was brief. The slowdown was to a large extent the consequence of a sharp growth in output in 1966 and of imbalances which accompanied that growth. As a result of these and other factors, such as a reduced demand for automobiles and a shift into other channels of funds available for construction, both consumer and business demand fell short of absorbing the output being produced during the latter part of 1966. In an expanding economy, businesses typically accumulate stocks of goods at all stages of production to anticipate rising demands of consumers and intermediate producers. However, the rapid growth of production in 1966 was not matched by demand, and inventories consequently accumulated at an excessive rate.

The inevitable response by industry during the first half of 1967 was to slow down production and procurement of materials to reduce the rate of inventory accumulation. However, unlike some previous inventory adjustments, this period of retrenchment did not feed on itself and lead to a severe overall decline. Since government expenditures were increasing rapidly, employment and personal income were not severely affected, consumer demand continued strong in spite of a high rate of savings, and the effects of the slowdown (primarily in durable goods manufacturing) were not transmitted significantly to other sectors. Both consumer and government expenditures (including defense expenditures) continued to grow, and as inventories came into better balance with demand, the drag on production was removed and the economy again rebounded.

During the last half of the year, output picked up sharply. The third-quarter growth rate in output was 1 percent (i.e., a 4.1-percent annual rate), despite a slower growth in personal consumption expenditures resulting from the auto strike; in the fourth quarter, output rose 1.3 percent (i.e., a 5.3-percent annual rate).

At the beginning of 1968, economic activity was expanding at the same high rate that characterized the last half of 1967. In contrast to the threat of decline faced and surmounted early in 1967, the problem facing policymakers at the beginning of 1968 was that of maintaining reasonable economic and price stability along with adequate growth.

For 1967 as a whole, the principal economic forces which influenced the employment situation were these:

1. The major force for contraction was the sharp reduction in the scale of inventory accumulation. This showed its clearest effect in durable goods manufacturing.

2. Consumer spending continued to grow, but its rate of growth was substantially below 1965 and 1966. After allowance for price increases, personal consumption expenditures were up 2.8 percent in 1967 compared with 4.9 and 6.6 percent for the 2 previous years.

3. Government spending rose at a faster rate between 1966 and 1967 than between 1965 and 1966. Sharp growth in spending occurred both in defense and State and local governments. State and local government spending continued to rise sharply at yearend, but the rise in defense spending slowed from about mid-1967 on.

4. Even excluding the inventory adjustment, business investment in 1967 was weak, showing virtually no growth after 2 years of sharp increases.

5. Housing construction expenditures (adjusted for price change) showed a decline on a year-to-year basis, mainly because of the very sharp dip in construction near the end of 1966, which resulted from the tight money market. Even

though housing activity was on the upgrade virtually throughout 1967, the average for the year failed to reach that of 1966. By the end of 1967, however, housing construction expenditures were well above year-before levels.

6. Consumer savings absorbed over 7 percent of disposable personal income in 1967, the largest share since 1958. The savings rate has not exceeded 6 percent since 1958. Since it seemed unlikely that the extraordinarily high rate of personal savings in 1967 would be maintained, a strong base existed for growth in consumer purchases in 1968. By the same token, a potential existed for increasing inflationary demand pressures if decisions to spend these savings were concentrated or badly timed.

7. Consumer prices rose by 2.8 percent on average in 1967. The rise was a shade under the 1965–66 increase (2.9 percent), but it was higher than the U.S. average for the post-World War II period as a whole. The rate of price increase is still relatively low for a period of such rapid employment growth and low unemployment, but the danger lies in the prospects for even sharper price increases in 1968 as the economy goes into higher gear and pressures of demand increase further.

8. Major collective bargaining settlements in 1967 yielded comparatively sharp wage increases. Despite a somewhat easier job market, wage increases averaged 5.7 percent in 1967 compared with 4.8 percent the previous year.[1]

9. At the same time that wages and fringe benefits increased, productivity gains decreased as a result of the relatively low rates of capacity utilization and economic growth. Unit labor costs rose as a result, placing additional pressures on prices. However, a higher rate of economic growth in 1968, with plant utilization closer to optimum levels, should result in a more rapid rise in productivity and a reduction in upward pressures on unit labor costs.

10. Strikes figured prominently in the economic and manpower situation in 1967, cutting into the potential output of goods and services and obscuring the shift in economic direction during the year. The proportion of worktime lost because of strikes in 1967, at three-tenths of 1 percent, was the highest since 1959 and almost double the annual average for the intervening 7-year period. The size of the 1967 loss stemmed from a number of very large work stoppages (e.g., in the auto industry) and some very long ones (e.g., in the copper and rubber industries).

Major collective bargaining agreements covering approximately 4 million workers expire or can be renegotiated in 1968; in addition, about 4.6 million workers are scheduled for wage increases under previously negotiated contracts. The combined total represents an unusually large number of workers scheduled for wage actions in one year. Several critical labor-management negotiations—in the steel, aluminum, railroad, aerospace, and apparel industries—are expected to have considerable impact on the economic situation. Should there be strikes in these industries, the resulting loss of output could affect the economy as it steers a critical path between stable growth and inflation.

In addition, the amounts of the settlements in the above-mentioned industries (and the patterns they set for settlements in other industries) will figure in the delicate balance between the need to maintain consumer demand through equitable income distribution, and the need to hold down unit labor costs. At the same time, some added stimulus to the economy, "borrowed" from later in 1968, may result from the reported buying of steel products to build inventories in anticipation of a possible steel strike. In the same way, some of the output lost in 1967 because of the auto strikes is being made up in early 1968 and adding to the demand pressures converging then.

The prospect of tighter job markets and rising consumer prices points to larger pressures for substantial wage increases. However, the anticipated higher rate of economic growth in 1968, with its accompanying higher rates of capacity utilization, also makes it likely that productivity will rise considerably faster than its low 1967 rate, partially offsetting the effect of higher wages on unit labor costs.

11. International economic developments figured significantly in 1967 in the formation of policies affecting the U.S. economy and manpower situation, and they can be expected to play an even more prominent role in 1968. The devaluation of the British pound, the deterioration in the U.S. balance of payments position, and the consequent measures proposed for preserving confidence in the dollar, combating inflation, and restraining exces-

[1] These are averages for the first year of the contract. If increases over the life of the contract are taken into account, the average increases were 5.0 percent in 1967 and 3.9 percent in 1966.

sive growth will be basic forces influencing the scale and pattern of employment growth in 1968. One favorable factor affecting our international trade (and consequently our domestic economy) stems from the conclusion of agreements under the Kennedy Round in 1967 for major tariff reductions on a wide variety of products. These reductions will take place progressively over the next 5 years, and should help the country hold and perhaps expand its trade position in international markets.

The Pattern of Employment Growth

INDUSTRY EMPLOYMENT TRENDS [2]

Between 1966 and 1967, 2.1 million jobs were added to nonfarm industry payrolls, bringing the total to 66.1 million. (See table 1.) Although this growth was not as impressive as the 1965–66 advance—when a record 3.2 million workers were added to industry payrolls—it was still above the 1.7 million average yearly gain between 1961 and 1965, and about double the annual increase registered for the postwar period as a whole.

The 1967 slowdown in employment growth broke the pattern of increasingly larger job gains established between 1963 and 1966. During early 1967, nonfarm payrolls showed little net change as declines in manufacturing and construction employment offset gains in trade, service, and Federal, State, and local governments. Overall employment growth resumed during the fall, but at an irregular and slow pace, with the trend obscured

[2] The employment figures used in this section are based on employer payroll records and provide a clearer measure of industry employment trends than the figures derived from the Current Population Survey of households. The totals characteristically differ because of different procedures and because the payroll figures exclude the self-employed, unpaid family workers, and domestic workers, and count multiple jobholders in as many jobs as they hold.

TABLE 1. NONFARM PAYROLL EMPLOYMENT BY INDUSTRY DIVISION, 1966–67 [1]

[Numbers in thousands]

Industry division	1966	1967	Change, 1966–67	
			Number	Percent
Total	63,982	66,066	2,084	3.3
Goods-related industries [2]	27,254	27,476	222	.8
Mining	625	613	—12	—1.9
Contract construction	3,292	3,265	—27	—.8
Manufacturing	19,186	19,336	150	.8
Durable goods	11,256	11,325	69	.6
Nondurable goods	7,930	8,012	82	1.0
Transportation and public utilities	4,151	4,262	111	2.7
Service-related industries	36,729	38,590	1,861	5.1
Wholesale and retail trade	13,211	13,676	465	3.5
Finance, insurance, and real estate	3,102	3,226	124	4.0
Service and miscellaneous	9,545	10,072	527	5.5
Government	10,871	11,616	745	6.9
Federal	2,564	2,719	155	6.0
State and local	8,307	8,897	590	7.1

[1] Data for 1967 are preliminary.

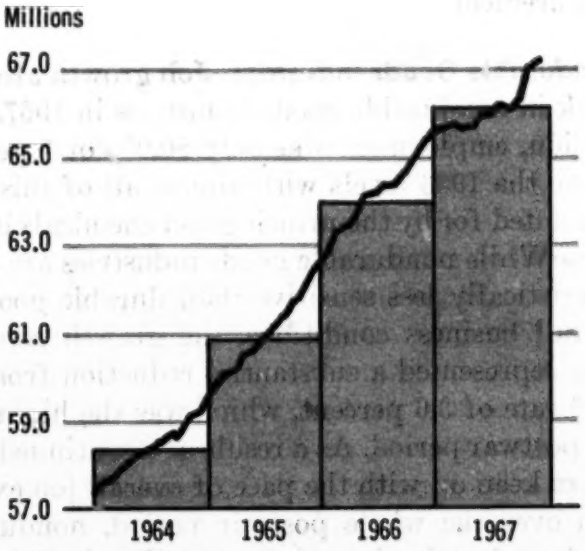
[2] For analytical purposes, transportation is included among the goods-producing industries because its employment has tended to respond to economic changes in a manner similar to the goods-producing industries.

NOTE: Detail may not add to totals due to rounding.

CHART 27

Rise in nonfarm employment faltered in early 1967, but resumed by year end.

Average annual and seasonally adjusted monthly nonfarm payroll employment, 1964-67



Source: U.S. Department of Labor.

by strikes in the automobile industry and elsewhere. However, by the end of 1967, it was evident that upward momentum had been regained. Employment on nonfarm payrolls rose by almost three-fourths of a million jobs between the third and fourth quarters (seasonally adjusted) and at yearend totaled 68 million. Despite the slow growth earlier in the year, the yearend total was 2 million higher than the year before. (See chart 27.)

Industry gains in 1967 were much more sharply concentrated than in recent years of large overall employment growth. (See charts 28 and 29.) Almost 9 out of 10 new jobs were in the service sector, mainly in State and local governments, the service industry, and trade, which together added more than 1½ million workers to their payrolls. Employment in manufacturing industries, on the other hand, expanded by only 150,000 jobs and accounted for less than 10 percent of the total rise, compared with an increase of more than a million jobs or over one-third of the total in 1966. Growth in manufacturing has played an important role in providing relatively high-paying jobs for blue-collar workers since the present period of expansion started in 1961. This growth has accounted for significant reductions in unemployment. The pause in 1967 also emphasized the particular hazard to blue-collar workers of a slowdown in the economy which may result from uneven growth. If this pause represented a temporary readjustment of imbalances, permitting resumption of sustainable employment expansion, it could be regarded as a sign of strength. The short duration and limited effects of the readjustment suggest such a view.

Manufacturing

Factory output showed little increase for the year as a whole—the decline in the first half being recovered in the second half. Factory employment showed a similar pattern, dropping almost 400,000 on a seasonally adjusted basis between January and July, and picking up again only late in the year. The recovery in the last quarter resulted in an employment gain of 150,000 for the year as a whole.

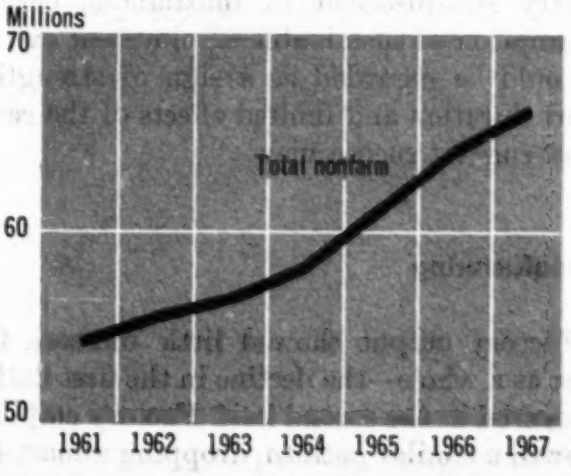
Durable Goods Manufacturing. The most marked slowdown in factory job growth was among durable goods-producing industries. For 1967 as a whole, employment in these industries rose by less than 1 percent, representing the lowest annual rate since the beginning of the current economic expansion in 1961.

Most major industries registered significant reductions in employment during the first half of the year. These declines paralleled cutbacks in industrial production associated with the reduction in inventory accumulation. They also reflected sluggish consumer demand for automobiles and appliances, smaller orders to such supplier industries as steel and fabricated metals, reduced business spending for plant and equipment, and lagging residential and nonresidential construction. As a result, employment in the auto, steel, and fabricated metals industries, and in construction-related industries such as lumber, furniture, and household appliances, accounted for the bulk of the job loss. Even though some of these losses were recovered in the second half of the year as the inventory adjustment drag ended, durable goods employment in the fourth quarter was still 185,000, or 1.6 percent below the comparable period of 1966.

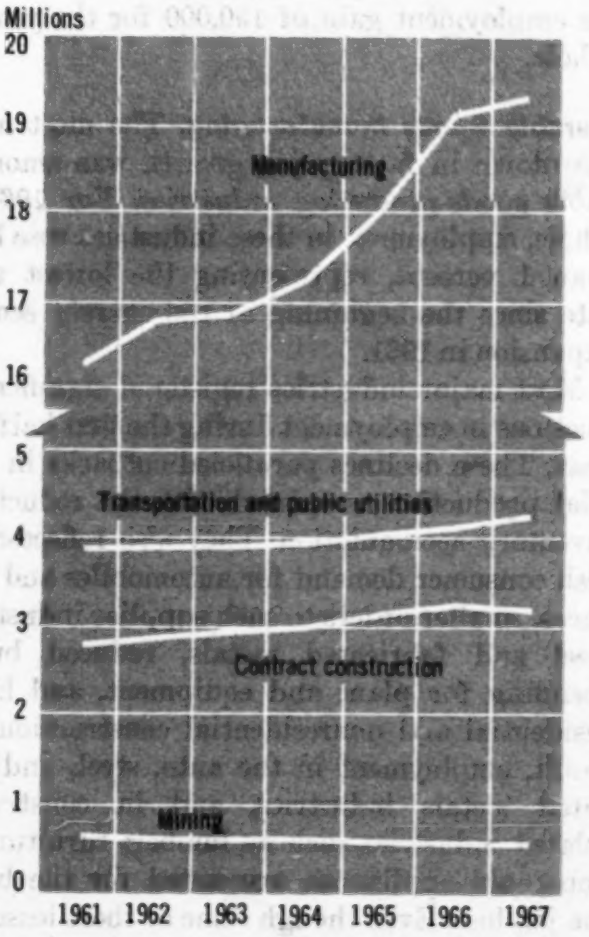
Industries which experienced significant increases in employment were largely oriented to-

CHART 28

Total nonfarm employment continued to increase in 1967 ...



but there were declines and weaknesses in the goods-producing and related industries.



Source: U.S. Department of Labor.

ward defense production—aircraft, ordnance, and communications equipment. (See chart 30.) Their employment expanded steadily throughout the year, but the total job gain was not as large as in 1966. Aircraft and ordnance together increased by 110,000 (or 11 percent over the year) and continued the sharp growth that began in mid-1965. On the other hand, employment in electronic component plants declined, apparently because of shifts in the pattern of consumer demand for television sets and reported changes in space program procurement.

Nondurable Goods Industries. Job growth also was weak in nondurable goods industries in 1967. At 8 million, employment was only 80,000 or 1 percent above the 1966 levels with almost all of this gain accounted for by the printing and chemicals industries. While nondurable goods industries are characteristically less sensitive than durable goods to overall business conditions, the growth rate last year represented a substantial reduction from the 1966 rate of 3.6 percent, which was the highest in the postwar period. As a result of a continued failure to keep up with the pace of overall job expansion over the whole postwar period, nondurable goods industries have been steadily declining in their relative importance in the total employment picture. In 1967 nondurable goods employment accounted for 12.1 percent of all nonfarm employment, compared with 13.8 percent in 1957 and 16.3 percent in 1947.

Other Goods-Producing Industries

In other goods-producing industries—mining and construction, and the manufacturing-related transportation and public utilities industries—the employment situation in 1967 was essentially unchanged from 1966. Employment in *contract construction* averaged 3.3 million, about 25,000 below 1966, reflecting declines in private housing and nonresidential building expenditures and slow growth in outlays for public construction. Even though housing expenditures increased almost steadily during 1967 from the extremely low level reached near the end of 1966, the average for 1967 as a whole was the lowest in 15 years if allowance is made for price changes.

Mining employment fell slightly, and at 615,000 was down by more than 10,000 jobs from the 1966 level. The reduction in mining employment was almost entirely due to the nationwide copper strike that began in July, shutting down the bulk of the copper mining, refining, and fabricating industries

and affecting about 50,000 workers in more than 20 unions.

In *transportation and public utilities*,[3] employment for the year as a whole was up by about 110,000 jobs, or 2.7 percent. Within this group, railroad industry employment continued its long-term decline, but employment in air transportation, communications, and electric, gas, and sanitary services continued to rise.

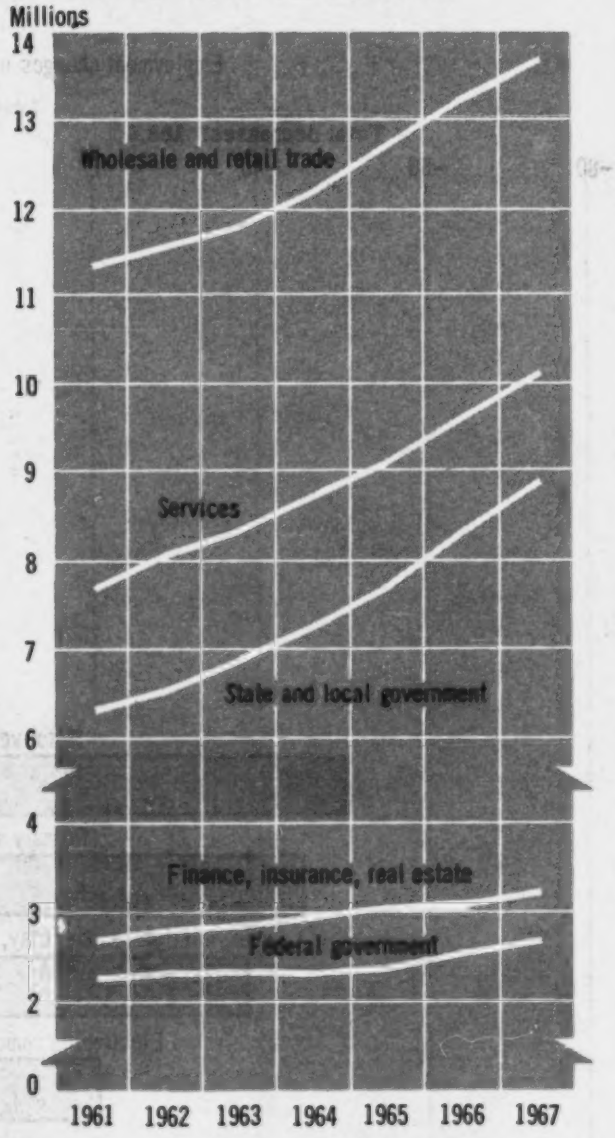
Service-Producing Industries

As in previous years, the complex of industries providing services—trade, finance-insurance-real estate, government, and the service industry itself—continued to be the chief source of new jobs. During 1967, employment in this sector rose by 1.9 million jobs, or 5.1 percent, to a level of 38.6 million. The continuous growth of the service sector—in good times and bad—not only has been a substantial source of new jobs for the growing labor force, but also has given a measure of stability to the employment situation. By supporting and increasing aggregate income, growth in the services has buffered the effects of layoffs in the more volatile goods-producing industries during economic downturns. During periods of employment expansion, the ubiquity of the service industries has made them a ready magnet for attracting into the labor force groups in the population with labor force "elasticity," such as housewives and youth, permitting the shift of other workers into manufacturing.

Not only was last year's rate of employment increase in the service sector the second best on record—eclipsed only by 1966 when jobs expanded by a phenomenal 5.2 percent—but the gains were also widespread. In the *finance-insurance-real estate* industry, where recent growth has only been average (leading to suppositions about the employment-reducing effect of technological advances), jobs grew at a very sharp pace, increasing by about 125,000—well above the long-term average increase of about 70,000 jobs yearly.

CHART 29

Employment gains were concentrated almost entirely in the service sector.



Source: U.S. Department of Labor.

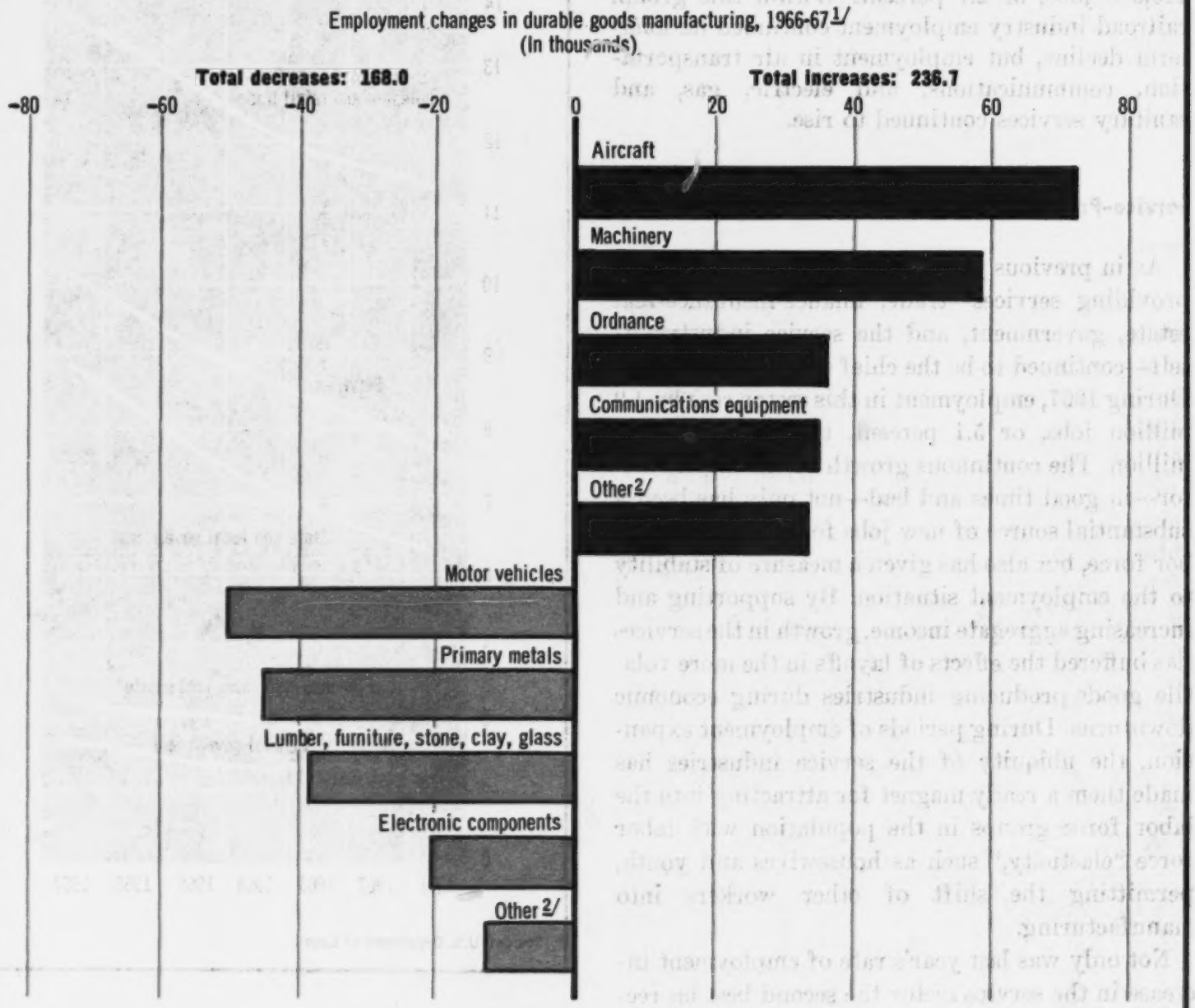
In the *service* industry itself[4] over 500,000 jobs were added last year. This was the only major industry in the private sector in which manpower needs, both in number and rate, accelerated significantly over the growth registered between 1965 and 1966. Employment in this industry expanded vir-

[3] Although these are service industries technically, they are often treated analytically with the goods-producing sector because of their close economic interdependence with manufacturing and mining.

[4] This industry includes establishments rendering a wide variety of personal and business services; it includes hotels, laundries, amusement and recreation enterprises, motion picture studios and theaters, garages and auto repair businesses, private hospitals and schools, medical, legal, and engineering enterprises, and similar service operations. The service industry is treated here as part of the service sector together with trade, finance-insurance-real estate, and government (Federal, State, and local).

CHART 30

Employment slowdown in durable goods in 1967 affected mainly civilian-oriented industries, while defense-related industries continued to grow.



1/ Preliminary.

2/ Includes industries with less than 10,000 employment change in each.

Note: Components of major industry groups are shown separately only when their employment changes exceeded 10,000.

Source: U.S. Department of Labor.

tually across the board throughout the year. Growth was particularly marked in private health services, reflecting the greater demand for health care and its wider availability under Medicare. The importance of the health services as a source of new jobs during the 1960's is dramatically reflected in steady employment expansion of about 100,000 each year from 1960 to 1963 and 125,000 annually since then. By 1967 employment in health services totaled 2.4 million—nearly 60 percent above the level in 1960—representing a growth rate 1½ times greater than for all service industries combined.

Employment in *trade* grew slightly faster than the average pace for all nonfarm industries, increasing by 3.5 percent, or 450,000 jobs over 1966.

Although there was a considerable slowdown in the spring and summer months, reflecting relatively low consumer sales, employment picked up in the fourth quarter with the quickening of general economic activity.

Government employment increased at all levels—Federal, State, and local—reflecting the Nation's defense commitments and its public needs in education, health, and protective services. Altogether, government payrolls were up by 750,000 in 1967, 7 percent higher than in 1966. Of this increase, almost 600,000 was in State and local governments, and two-thirds of that in school systems.

Federal Government employment continued the rise begun in 1965 after almost a dozen years of little or no growth. During this 1965 to 1967 period, civilian employment in Federal agencies rose by almost 350,000, and the 1967 yearly average of 2.7 million was the highest level since World War II. About one-half of this increase occurred in the Department of Defense and about one-fifth in the Post Office Department. The remainder of the increase included employment in service functions, as well as in new and expanded social, economic, and welfare programs.

Virtually all of the increase in 1967 took place in the first half of the year and Federal employment reached a peak of 2.8 million in July. In the second half of the year there was a moderate reduction in Federal payrolls, and by yearend the employment level was back to 2.7 million, or 40,000 above December 1966 levels.

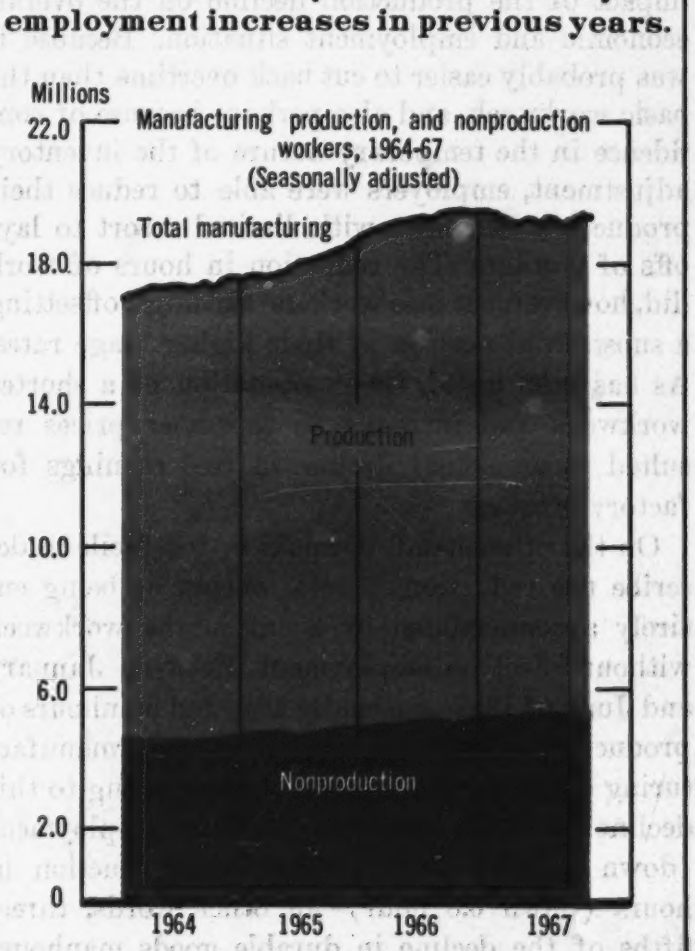
Production and Nonproduction Worker Employment

As in previous periods of sluggish growth, production workers in manufacturing bore the brunt of the general slowdown. For 1967 as a whole, factory production worker employment was down 50,000 from the previous year, whereas such employment increased throughout the current period of expansion, rising very sharply from 1964 through 1966. (See chart 31.) The lower average employment for 1967 reflected job losses during the first half of the year that were not completely recovered by yearend.

By contrast, nonproduction worker employment continued to expand throughout 1967 for a gain of 200,000 over the previous year, despite the cutback in production. These overhead workers, generally salaried, were retained apparently not only in the expectation of renewed activity, but also because of continued expansion in demand for administrative, research, recordkeeping, and supportive service personnel. This demand has led to a persistent growth in employment of these workers almost without regard to temporary reductions in output. Nonproduction worker employment in the past has fallen back only during severe or sustained recessions. The recovery of manufacturing output in the final quarter of 1967 came soon enough to prevent any significant interruption of the growth in nonproduction worker employment and also was reflected in a renewal of overall manufacturing employment.

CHART 31

Production workers bore brunt of slowdown in early 1967 after steady employment increases in previous years.



Source: U.S. Department of Labor.

Hours of Work

The cutback in total output during the first half of 1967 was accomplished by reducing both hours and employment in the manufacturing sector, particularly in durable goods industries. The workweek in manufacturing started to drop in early 1966, from unusually high levels exceeding even those of the Korean war period, and it continued to edge down irregularly until about June of 1967. From a high point of 41.6 hours (seasonally adjusted) in February 1966—which included more than 4 hours of overtime work at premium pay—the workweek in manufacturing fell to 40.3 hours in May and June 1967, with overtime down by nearly 1 hour (from 4.1 to 3.2 hours).

The cutback in hours could hardly be described as evidence of a severe economic readjustment, particularly since the drop was from an unusually high level. In 1967 factory workers put in an average of a half-day per week of premium overtime work. Moreover, the resort to a reduction in hours was a significant factor in cushioning the impact of the production decline on the overall economic and employment situation. Because it was probably easier to cut back overtime than the basic workweek, and also perhaps because of confidence in the temporary nature of the inventory adjustment, employers were able to reduce their production schedules with limited resort to layoffs of workers. The reduction in hours of work did, however, cut into workers' earnings, offsetting a substantial portion of their higher wage rates. As has been noted, the combination of a shorter workweek and increases in consumer prices resulted in an actual decline in real earnings for factory workers.

On the other hand, it would be too facile to describe the reduction in total output as being entirely accommodated by a cut in the workweek without effect on employment. Between January and June of 1967, seasonally adjusted manhours of production workers in durable goods manufacturing declined by 5 percent. Contributing to this decline was a 3.1-percent reduction in employment (down 260,000) and a 1.9-percent reduction in hours (down 0.8 hour)—in other words, three-fifths of the decline in durable goods manhours was in employment and two-fifths in hours. It is only when the figures on total employment in all nonfarm industries are considered that the effects of the cutback in durable goods employment are "washed out" by larger employment increases in other industry sectors, and the reduction in hours of work appears to be the principal employment development accompanying the decline in total output.

GOVERNMENT-GENERATED EMPLOYMENT

Government spending in 1967, as in previous years, had a strong impact on employment growth in private industries as well as in government. These employment effects in 1967 were especially marked because spending by private firms and individuals slowed down from their previous rates of growth while government spending accelerated.

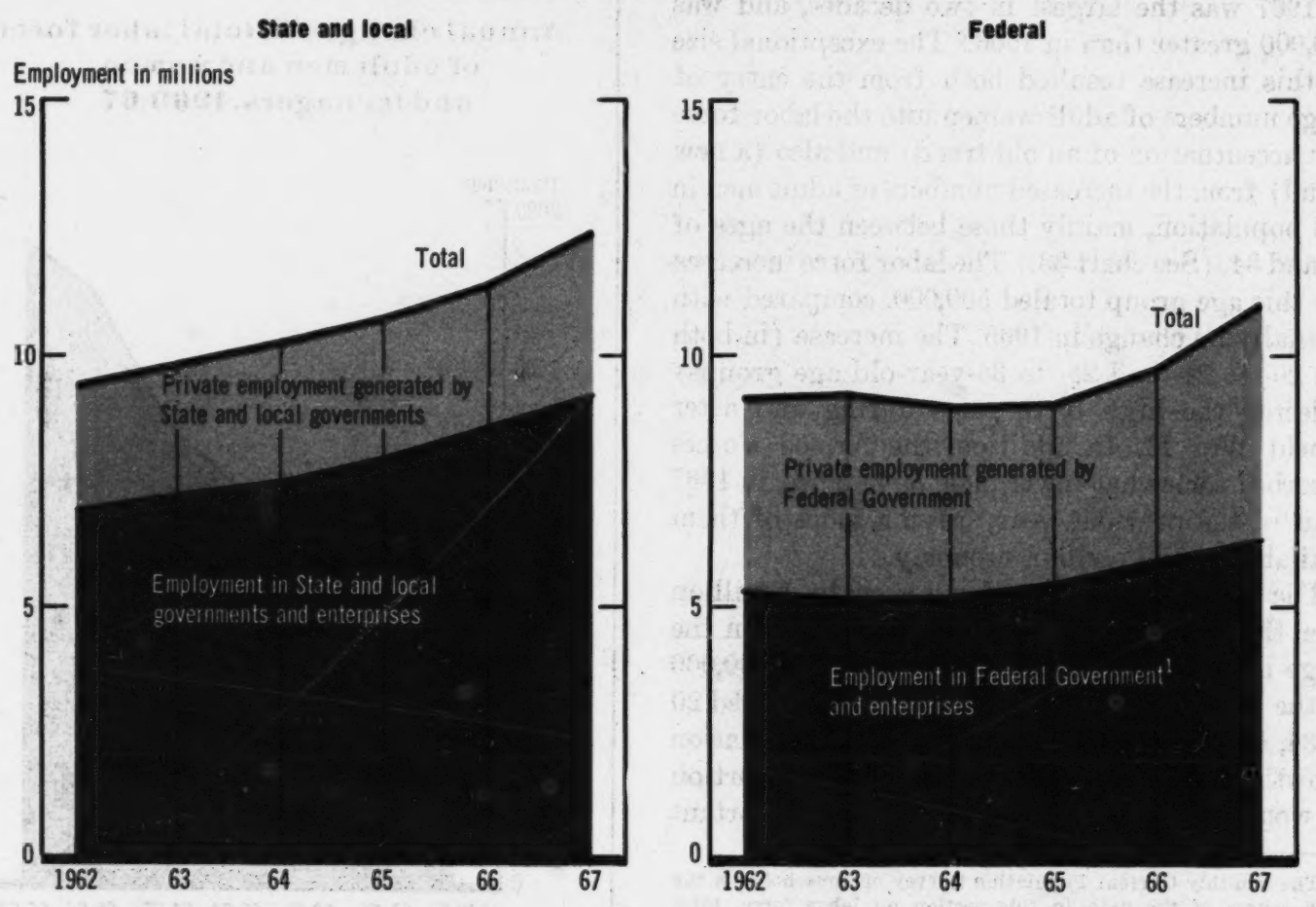
Total expenditures for goods and services by all levels of government—Federal, State, and local—amounted to $176.3 billion in 1967, an increase of 14.3 percent over the previous year. This spending resulted in the generation of 23.1 million jobs, two-thirds directly in government (including Armed Forces), and one-third in private industries supplying goods and services to government.[5] Government-generated jobs accounted for nearly one-third of total nonfarm employment, with 12.2 million jobs attributable to State and local spending and 10.9 million to Federal spending. (See chart 32.)

The impact on job *growth* in 1967 was even more dramatic. Government expenditures accounted for an increase of 2.1 million jobs over the year. The increase was almost evenly split between direct government employment and jobs generated in the private sector by government purchases. State and local governments provided the larger part of direct government employment—about 600,000 of the 1 million increase. Of the 400,000

[5] The computations are based on input-output procedures relating employment to the national income accounts. The figures used above on government-generated employment in the private sector include indirect employment generated in supplier industries; they do not include secondary employment generated by individuals spending wages, salaries, and profits derived from government. Armed Forces personnel are included in the totals discussed in this section. See app. tables G–3 and G–4 for more detailed figures on government spending and employment attributable to this spending.

CHART 32

Employment generated by State and local government spending has increased steadily... that generated by Federal spending has risen sharply in past 2 years- particularly in private industry.



1/ Includes military personnel.

Source: U.S. Department of Labor, based on data from the U.S. Department of Commerce.

increase in Federal employment, 300,000 was in the Armed Forces.

The increase in the jobs generated in the private sector by government purchases was almost equal to the total job gain in the private sector. In other words, the other elements of final demand—personal consumption expenditures, investment, and exports—had no net impact on employment changes in 1967. Thus, employment gains derived from higher personal consumption expenditures were offset by employment declines caused by lower net exports, investment, and inventories.

As a result of the increase in Federal expenditures (90 percent of which was attributable to defense spending), Federal Government employment rose by 400,000 and employment in private industry by 800,000. The Federal employment increase was 100,000 below the record growth of 500,000 between 1965 and 1966. But the increase in private employment generated by Federal expenditures was a half million larger than in the previous year. It accounted for almost three-fifths of the new jobs in the private nonfarm sector as compared with 1 out of 8 in 1966. The sharp rise in federally generated private employment was due primarily to the expansion of defense spending.

State and local government expenditures, and the employment attributable to them, also rose sharply in 1967, continuing their long-term trend of growth. The increase in expenditures was reflected in the addition of 600,000 employees to State and local government payrolls and 200,000 in private industrial employment.

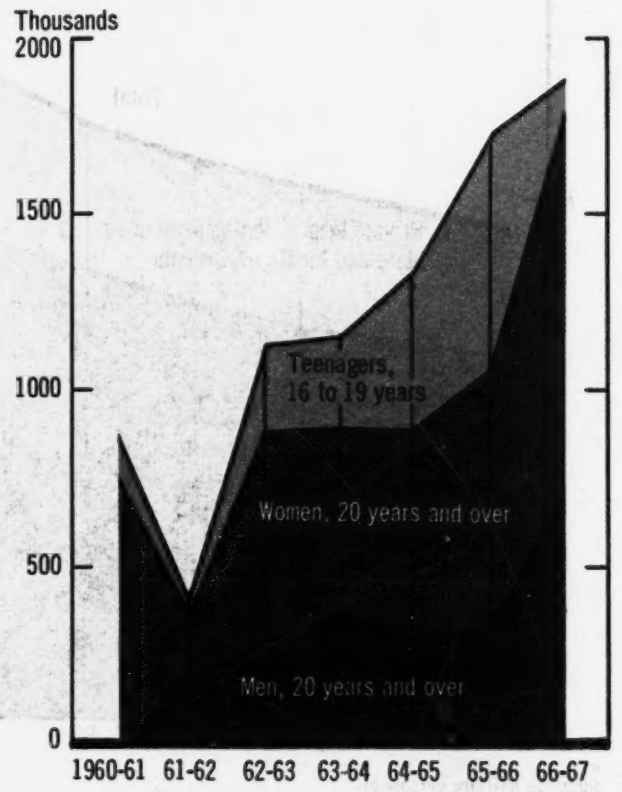
Labor Force Growth, Occupational Developments, and Unemployment

The civilian labor force increase of 1.6 million in 1967 was the largest in two decades, and was 300,000 greater than in 1966.[6] The exceptional size of this increase resulted both from the entry of large numbers of adult women into the labor force (an accentuation of an old trend) and also (a new trend) from the increased numbers of adult men in the population, mainly those between the ages of 20 and 34. (See chart 33.) The labor force increases for this age group totaled 500,000, compared with virtually no change in 1966. The increase (in both the 20- to 24- and 25- to 34-year-old age groups) reflected the high birth rates during and after World War II. In addition, the Armed Forces absorbed somewhat fewer men, on balance, in 1967 than in the previous year, leaving more of them available to the civilian economy.

The adult female labor force grew by 1 million over the year, or by about 300,000 more than the large increase of the previous year. Fully 700,000 of the increase in 1967 was among women aged 20 to 34, compared with 400,000 in 1966. Population growth and continuing increases in the proportion of women working were about equally important in explaining this unusually large labor force increase.

CHART 33

Annual changes in total labor force of adult men and women, and teenagers, 1960-67



Source: U.S. Department of Labor.

The size of the teenage labor force was virtually unchanged from the previous year, in contrast to the very large annual increases in the past few years. The large number of persons born after mid-1946 was an important factor in the last few years' increases in the teenage labor force. As the teenage population increased steadily in these years and as these young people moved up through the ages of rapidly advancing labor force participation, the labor force grew dramatically.[7] In 1967, the first large postwar birth group contributed to the increase in the 20-year-old population,

[6] The monthly Current Population Survey of households is the basic source of the data in this section on labor force, total employment, unemployment, and the statistics on workers according to occupation, color, age, and sex. Interpretation of the 1967 figures is complicated by changes adopted at the beginning of 1967 in the questions and definitions used in the household survey. The most important of these changes affect unemployment status and hours of work.

In order to improve the precision of the data, the questions asked in this survey were changed to fix the timing and the form of jobseeking activities by those without employment. Persons who indicate that they actively sought work in the previous 4 weeks are counted as unemployed. Those who did not actively seek work in this period are now classified as "not in the labor force"; previously they may have been counted as unemployed, depending on their response to certain key questions. On the basis of large-scale experimental surveys conducted in 1966, it was demonstrated that the changes in procedure tend to yield a somewhat lower unemployment rate for men and a somewhat higher unemployment rate for women than would be yielded by the old procedures. Also, fewer persons are counted among the long-term unemployed than under the old procedures.

In addition, probing questions were added to determine the exact number of hours worked. The experimental survey showed more part-time workers and fewer full-time workers than would be shown under the pre-1967 procedures.

The new procedures, while tightening the conceptual coverage and improving the precision of the survey estimates, nevertheless affect the comparability of the 1967 figures with those of previous years. To the extent that it was possible, the effects of these changes were taken into account in the interpretation of 1967 figures when comparing them with those of previous years.

For a detailed description of the 1967 changes in the Current Population Survey, see Robert L. Stein, "New Definitions for Employment and Unemployment," *Employment and Earnings and Monthly Report on the Labor Force,* February 1967, pp. 3–13.

[7] The rate of participation for young men—counting both military service and the civilian labor force—goes up from about 45 percent of their population at ages 16 and 17, to about 70 percent at 18 and 19 and about 80 percent at age 20. Between the ages of 25 and 45, participation becomes virtually total—97 percent or more.

and about 4 out of 5 were in the labor force. The slightly smaller numbers born in the years 1948 to 1950 are now resulting in a temporary falloff in new additions to the teenage labor force.[8]

Extremely large requirements for military manpower in 1966 reduced the number of young persons available for the civilian labor force. But early in 1967, the size of the Armed Forces leveled off. During the year, the Armed Forces increased by about 100,000 compared with an increase of about half a million in the previous 12 months. (Because of the fairly steady rise during 1966 and the slowdown in 1967, the annual average increase came to about 300,000 between 1966 and 1967 and about 400,000 for the previous year.)

EMPLOYMENT AND OCCUPATIONS

The 1.6 million rise in the civilian labor force in 1967 was only slightly greater than the overall rise in employment. Total employment in nonagricultural industries (including self-employed, domestic, and unpaid family workers) rose by 1.6 million to 70.5 million. Agricultural employment continued its long-term downtrend, although at a somewhat slower pace, falling by 135,000 to 3.8 million. The total gain was 300,000 less than the exceptionally large 1.8 million increase in each of the previous 2 years. Virtually all of the employment growth occurred in the last half of the year, with increases of 800,000 (seasonally adjusted) in the third quarter and another half million in the last quarter.

Adult workers accounted for all of the employment gain, with almost 75 percent of the total increase accounted for by men and women 20 to 34 years of age. The 625,000 increase for adult men was 2½ times as large as in 1966 and was surprising in view of the weaknesses in goods-related industries, where employment of adult men is highly concentrated. In this case, the decline in one area of employment was offset by the large numbers of adult men who got jobs in the service sector, including government.

Employment of adult women rose by 900,000 in 1967, equaling the unusually large increase a year earlier. Even with the large increase in men workers, women accounted for about three-fifths of the total gain in employment. Teenage employment was unchanged after rising sharply by 700,000 in 1966.

Full-Time Schedules

The relatively small growth in full-time jobs was one of the more disappointing developments in 1967. Between 1963 and 1966, persons on jobs usually scheduled for 35 or more hours a week accounted for more than 80 percent of the growth in nonagricultural employment, while in 1967 they accounted for less than one-third of the increase.

Some of this decline was more apparent than real. The change in procedures for collecting information on hours from the survey of households, which was adopted at the beginning of 1967 to get more precise results, was partly responsible for the lower proportion of workers reported on full-time schedules in 1967. However, even after allowing for this change, a significant part of the decline appeared to stem from the weaker demand for labor in the durable goods industries. Employment growth in these industries is preponderantly in full-time jobs, in contrast with the trade and service industries, where much of the recent growth has been in part-time jobs.

The number of nonfarm workers employed part time because of slack work, inability to find a full-time job, and other economic reasons was unchanged in 1967 (after allowing for measurement changes). There had been successive reductions in the size of this group during the preceding 3 years.

Occupational Trends

The slower growth in the output of goods-related industries in 1967 also resulted in a relatively small increase in blue-collar employment. By contrast, the increase in white-collar jobs, amounting to 1.2 million in 1967, equaled the exceptionally large increase of a year earlier.

Employment in blue-collar occupations, which had shown little growth in the fifties, began to increase substantially between 1961 and 1966, reflecting the rapid and sustained growth of the economy and particularly the goods-producing sector. Employment increases among blue-collar workers averaged about 700,000 a year during this

[8] A new period of high births started again about 1951, suggesting that larger increases in the teenage labor force will probably resume in 1969 and continue for a decade.

period, providing job opportunities for many poorly educated and poorly trained workers, as well as for skilled workers. In 1967, however, blue-collar employment rose by only 300,000.

Moreover, nearly all of the blue-collar increase in 1967 was accounted for by craftsmen, for whom training requirements are normally very high. Employment among both operatives and laborers was virtually unchanged over the year. The rapid pace of economic growth in 1966 had been responsible for creating a substantial number of new jobs for operatives, and even for upgrading many laborers into operative positions.

The substantial increase in white-collar jobs in 1967 was divided almost equally between professional and technical workers and clerical workers. The increase for professional-technical workers (570,000) was the largest on record. In the course of two decades they have doubled their relative importance in the total job picture—from 6.6 percent of all employed workers in 1947, to 9.9 percent in 1957, and 13.3 percent in 1967.

However, despite the continued substantial increases in white-collar employment in 1967, Employment Service reports indicate an easing in demand for engineers, scientists, and technicians. A year earlier, during the height of the economic expansion, shortages in these occupations were more widespread and hiring specifications less rigid.

Private household employment dropped by nearly 150,000 in 1967. This was the third straight year of decline in this occupation despite the steadily increasing numbers of working married women who presumably require household assistance. The lack of acceptable working conditions and status, as well as the difficulty in obtaining wages comparable to those typically offered by industry, seemingly has made domestic service unattractive to many women workers.

On the whole, the major employment gains in 1967 were made by white-collar workers and skilled craftsmen—workers who by and large are the best trained and best paid. There were virtually no additional opportunities for unskilled and semiskilled workers. In essence, this characterized the vulnerability of less skilled workers to any slowdown in overall economic activity. Employment opportunities can be expected to favor better skilled workers in the long run, and there will be proportionately more jobs available for such workers. However, for the very substantial numbers of workers who are only qualified—and are needed—to carry out the many low-skilled functions in our economy, new job opportunities and the chances for raising living standards that come from a steady income will depend to a very great degree on sustained and rapid economic growth.

UNEMPLOYMENT

On balance, the unemployment situation in 1967 was about the same as in the previous year. Total unemployment averaged 3 million, slightly (100,000) above the 1966 level. The 1967 rate of unemployment, at 3.8 percent, was the same as for 1966 because of the large labor force growth.

Changes in unemployment during the course of the year were somewhat different from what might have been expected from the movements in employment. The rate of unemployment edged up gradually during the year, from 3.7 percent in the first quarter to 4 percent in the final quarter (actually reaching 4.3 percent in October) as labor force growth outpaced employment growth by small margins, even during the sharp pickup in employment in the last half of the year. However, in the last 2 months of the year the unemployment rate dropped sharply, so that by December it was back to the same low point as at the beginning of the year. Not since 1953 has the unemployment rate been lower than the yearend rate of 3.7 percent.

For the year as a whole, rates of unemployment for most groups of workers were not significantly changed from 1966; not all groups fared equally, however. Workers in manufacturing, particularly in the durable goods industries, were among those with rising unemployment rates. A high proportion of these workers are men with family responsibilities who usually persist in looking for work when they lose jobs, rather than withdraw from the labor force. As a result, layoffs in the manufacturing industries were clearly reflected in rising unemployment. The rate of joblessness for workers in durable goods manufacturing rose to 3.4 percent in 1967 from 2.7 percent a year earlier; for those in nondurable manufacturing it increased to 4.1 percent from 3.8 percent. Nevertheless, except for 1966, the rate of unemployment for workers in manufacturing was the lowest since 1953. Improved opportunities for nonmanufacturing workers—which contributed to an unchanged

overall rate of unemployment for 1967—were small, diffuse, and not clearly relatable to employment and labor force changes.

As might be expected from the developments in manufacturing, the rate of joblessness rose more sharply for operatives—from 4.4 percent to 5 percent—than for workers in other occupations. Nonfarm laborers, whose job security is precarious in all but the most booming economies, had a slightly higher rate (7.6 percent) than in the previous year (7.4 percent).[9] Yet the rates for both laborers and operatives were only about one-half as high as they had been 6 years earlier.

The rate of unemployment for adult women [10] went up slightly at the same time that the jobless rate for adult men remained essentially unchanged from the previous year. Although women are not concentrated as heavily in the kinds of jobs where employment growth slackened, the increase in the female labor force was so large that it outpaced job expansion for them. The employment increase for men, however, paralleled the relatively large increase in their work force. Despite the weakness in some of the industries with many men workers, growing opportunities for skilled blue-collar workers and professional and supervisory personnel kept the male unemployment rate from rising. Jobless rates for adult and married men were at the extremely low levels of 2.3 percent and 1.8 percent.

Teenage workers had an unemployment rate in 1967 (12.9 percent) that was essentially unchanged from a year earlier (12.7 percent). However, their unemployment situation may have deteriorated more than would be indicated by these figures because the new techniques of measuring jobseeking activity, adopted in 1967, may have understated the rate of teenage unemployment on a basis comparable with previous years' figures. Moreover, quarterly information shows that their unemployment rate rose from 11.6 percent in the beginning of the year to 14 percent in the last quarter. Apparently these young people were hurt by the earlier slowdown in the demand for unskilled and inexperienced workers and did not benefit from the later recovery.

About 450,000 persons were jobless for 15 weeks or more in an average month in 1967, representing 0.6 percent of the civilian labor force.[11] Although the long-term unemployment count was 75,000 below that of 1966, the decline, in large part, reflected the changed measurement techniques that affected comparability with previous figures. Here again, the slackening in the economy's growth rate may have impeded further improvement in the unemployment situation, and gave additional evidence of the difficulties in reducing joblessness during periods of slow expansion in the economy. Unemployment developments in 1967 suggest that large-scale and intensive efforts are required to protect and create job opportunities specifically for workers who are most vulnerable to unemployment when the economy's growth falters.

NEGRO WORKERS

Employment and unemployment changes among Negroes in 1967 generally paralleled those for white workers, with little significant overall shift in their relative position. The increase in Negro employment did not equal the large gains of the past several years, but there was evidence of a significant upgrading in occupational status. Negro unemployment, after having declined for 3 years in a row, was (at 7.4 percent) not significantly changed from 1966 when the rate (7.3 percent) reached its lowest point since the Korean war.[12]

Moreover, the rate of Negro joblessness continued to be more than twice the rate for white workers, with the disparity greatest among teenagers. The unemployment rate for Negro teenagers (at 26.5 percent) was not appreciably lower than during the recession-affected year of 1961 (27.6 percent). In addition, the disparity between the unemployment rates of nonwhite teenagers and those of white teenagers (even as high as those are) has tended to increase. Nonwhite teenagers had a rate 1.8 times as high as that for white teenagers in 1961, 2.3 times as high in 1966 and 2.4 times as high in 1967.

Unemployment changes among adult Negroes in 1967 were in opposite directions for men and women; the rate of unemployment continued to

[9] The difference in the two unemployment rates is greater if allowance is made for changes in the measuring techniques.
[10] See footnote 6, p. 182.
[11] See the chapter on New Perspectives on Manpower Problems and Measures for a discussion of the total number unemployed for 15 weeks or more over the course of the year.
[12] Data used in this section represent all nonwhites, about 92 percent of whom are Negro.

decline for men, moving down by about one-half percentage point to a postwar low of 4.3 percent, but for women it rose by about the same amount, to 7.1 percent. Here again, the meaning of the changes was not clear, because the new methods of measuring employment status were partly responsible for showing a lower rate of unemployment for adult men and a higher one for women.

One of the more encouraging aspects of the employment situation of Negro men and women in 1967 was a shifting from less skilled to more skilled occupations, continuing the trend of recent years. Employment of Negro men as white-collar workers, craftsmen, and operatives rose by a total of about 100,000, while it declined by about 50,000 in the less skilled and generally lower paying occupations—service workers and farm and nonfarm laborers.

Occupational changes for Negro women in 1967 also indicated a process of upgrading. Their employment in the rapidly growing clerical field rose by more than 100,000 in 1967 and operative employment increased by more than 50,000. In the 3-year period since 1964, clerical employment among Negro women has risen by more than 60 percent (from about 340,000 to 550,000) and operative employment by about 40 percent. In addition, the number employed in private households dropped by about 100,000 in 1967, continuing a trend evident since 1964. Over the 3 years, the number of Negro women in this generally low-paying occupation has declined by about one-sixth.

Productivity, Output, and Employment

Growth in output and in production efficiency have been keys to this country's economic strength and to the affluence of its people compared with those of many other nations.

Since 1961, the country's output of goods and services has grown at a brisk rate. The duration of this expansion is unparalleled in this country's modern history; the magnitude has been exceeded only in the period including World War II.

Total output in the private economy has increased by more than one-third since 1961, while the manpower expended in its production has risen by approximately 10 percent, reflecting primarily increased employment rather than more annual hours of work per employee. Fully two-thirds of the increase in output is explained by growth in productivity. It represents the dividend in goods and services available to the American public as a result of increased efficiency. The balance reflects additional jobs, which were sufficient to reduce the unemployment rate from 6.7 percent in 1961 to 3.8 percent in 1967.

Over the entire 1961–67 period, productivity (output per man-hour) increased by an average of 3.4 percent per year, compared with the 3.2-percent average for the whole post-World War II period. The gains during the sixties reflect some sharply different annual performances. Productivity growth averaged 4 percent per year during the 1961 to 1964 period of recovery from recession and resumption of economic expansion. The rate of gain slackened between 1964 and 1966, when output shot ahead and the pressure of sustained utilization of the Nation's productive capacity began to have its effects. In 1967, productivity growth fell off sharply. In contrast to the varying pattern of productivity increase, gains in output were very substantial until 1967. Between 1961 and 1966, output in the private economy increased at an average annual rate of 5.7 percent; prior to this period the postwar average rate had been only 3.4 percent.

Productivity growth exhibits a high sensitivity to short-term fluctuations in output and changes in capacity utilization. Economic developments during the past year illustrate this point dramatically. During 1967, the private economy's output showed its smallest increase (2.1 percent) in the past 7 years. This was reflected in very significant declines in the rates of capacity utilization. Coinciding with these developments was an unusually small increase in productivity. The 1.4-percent increase in output per man-hour in the private economy in 1967 was less than half the lowest rate of growth for any year since the current business expansion began in 1961.

Although there was an actual decline in goods production during part of 1967, employment re-

ductions in goods-producing industries were comparatively small and apparently not commensurate with the decline in output. Part of the adjustment took the form of a shortened workweek. Moreover, the employment reductions in goods production were offset in the economy as a whole by increases in employment in the service-producing industries. Since these industries generally had low rates of productivity growth and have usually been less amenable to technological change, concentration of employment growth in the service-producing industries has made it that much more difficult to achieve rapid rates of productivity growth for the economy as a whole.

Shifting patterns during the year further tended to obscure basic trends in 1967. A revealing picture of the crosscurrents that affected the economy can be drawn by tracing the quarterly movements of total output, hours, and employment. During the first quarter, output declined while both man-hours and employment increased. In the following quarter, the pattern was reversed; output increased while man-hours and employment declined. Although moderate expansion in the economy took place in the second half of the year, growth in man-hours virtually kept pace with increases in output. Thus, by the close of the year, it appeared that the major short-term employment impact of the economic slowdown in 1967 was absorbed by retardation in productivity growth.

Despite the fact that manufacturing output was hardest hit by the economic slowdown, employment for the year as a whole rose by 0.8 percent—substantially less than the year before. However, underlying the overall increase in manufacturing employment was a shift in the proportion of blue-collar to white-collar employment. Production worker employment actually declined while the number of nonproduction workers in manufacturing increased.

Among the factors associated with the 1967 reduction in productivity growth were the employment shifts from blue-collar to white-collar work within manufacturing industries, and from manufacturing to nonmanufacturing industries. Increases in white-collar employment, while tending to boost productivity over the long run, do not usually add to its growth in the short run. Corollary to this, white-collar employment, usually considered overhead, is not as responsive to shortrun production changes as is blue-collar employment; hence it tends to magnify the cyclical impact of production changes on productivity. Because of this relative insensitivity of white-collar employment, the slackening of output growth in 1967 was directly reflected in a sharp decline in productivity growth.

Because of the sharp drop in the rate of growth in manufacturing production—from 8.6 percent in 1966 to 0.4 percent in 1967—productivity growth also fell sharply. The increase in output per man-hour in manufacturing was only 1 percent in 1967, compared with the increase of 2.2 percent in 1966. The coincidental, short-term movements of output and productivity are again clearly discernible.

Farm output and farm productivity traditionally show erratic movements that make it difficult to assess a single year's record, but the 1967 performance appears to have been remarkably good. The Nation's farms, unlike the remainder of the economy, continued in 1967 to display very substantial productivity growth. Productivity in the farm sector jumped by 10.5 percent between 1966 and 1967—almost double the average rate of increase of the postwar period. The impressive gain in farm productivity accompanied the equally impressive increase in farm output of 7.6 percent. In 1966, farm output actually declined, while productivity increased by 4.8 percent. Although the long-term withdrawal of workers from the farm sector continued in 1967, the employment decline was significantly lower than in the previous year.

Implications of Recent Growth

In the context of a postwar era which witnessed the destructive employment effects of four recessions in a 12-year period, the importance of the job developments in 1967 goes beyond that for the year alone. Employment gains in 1967, although moderate in comparison with those of the 2 preceding years, represented further additions to gains accumulated over a period of expansion now

continuing in its 8th year. The unemployment situation, although showing no further overall progress in 1967, preserved very notable improvements made during 6 previous years. A brief review of this entire period gives some dimension to its accomplishments, and points up the problems of joblessness that remain.

The predominant influence governing improvement in the employment situation during the current expansion has been the continuation of a rapid and sustained rate of economic growth. Along with increasing productivity, this growth is undoubtedly the indispensable primary condition for further progress.

Overall, the record of progress since 1961 is impressive. The population has risen by 15½ million, yet per capita disposable income has increased by fully 25 percent even after allowance for price changes. The labor force has increased by 10 percent, yet enough new jobs were created to employ the additional workers as well as to reduce the unemployment rate by 43 percent. The number of unemployed was brought down from 4.7 million in 1961 to 3 million in 1967, from 6.7 percent of the labor force to 3.8 percent. Eight and one-half million more people were at work in 1967 than in 1961, and the total labor force is more than 80 million strong.

The unemployment rate for married men, whose economic well-being tends to be reflected in the experience of the next generation, fell from 4.6 percent to 1.8 percent, a rate many feel may be close to a practical minimum. Substantial improvements were made in the employment situation of the less educated and the unskilled, as well as those better prepared to take advantage of the growing job opportunities. The jobless rates for semiskilled workers (operatives) and for nonfarm laborers, for example, were halved over this period. (See table 2.) The rate of unemployment for adult non-

TABLE 2. LABOR FORCE AND UNEMPLOYMENT RATES IN 1967, AND 1961–67 CHANGE FOR SELECTED GROUPS

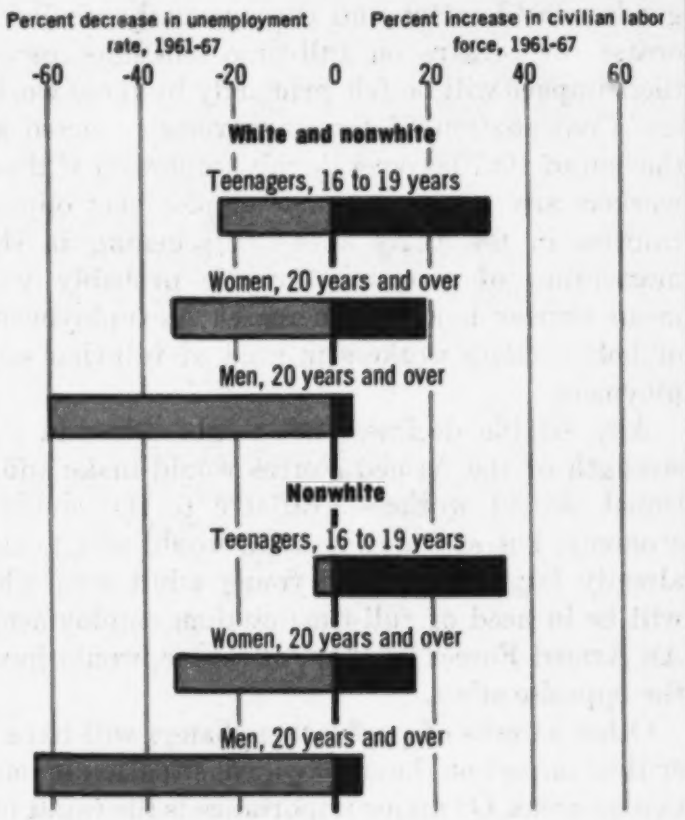
[Numbers in thousands]

Item	1967		Change, 1961–67			
			Number change		Percent change	
	Civilian labor force	Unemployment rate	Civilian labor force	Unemployment rate	Civilian labor force	Unemployment rate
Total, 16 years and over	77,347	3.8	6,888	—2.9	9.8	—43.3
Total, 16 to 19 years	6,521	12.9	1,586	—3.9	32.1	—23.2
Men	3,634	12.3	841	—4.9	30.1	—28.5
Women	2,887	13.5	745	—2.8	34.8	—17.2
Nonwhite, 16 to 19 years	771	26.5	199	—1.1	34.8	—4.0
Men	443	23.7	91	—3.0	25.9	—11.2
Women	329	29.8	109	.7	49.5	2.4
Total, 20 years and over	70,831	3.0	5,308	—2.9	8.1	—49.2
Men	45,355	2.3	1,495	—3.4	3.4	—59.7
Women	25,476	4.2	3,813	—2.1	17.6	—33.3
Nonwhite, 20 years and over	7,880	5.5	651	—5.7	9.0	—50.9
Men	4,504	4.3	192	—7.4	4.5	—63.2
Women	3,376	7.1	459	—3.5	15.7	—33.0
White-collar workers	34,985	2.2	5,114	—1.1	17.1	—33.3
Blue-collar workers	28,529	4.4	2,436	—4.8	9.3	—52.2
Craftsmen and foremen	10,094	2.5	887	—3.8	9.6	—60.3
Operatives	14,611	5.0	1,650	—4.6	12.7	—47.9
Nonfarm laborers	3,823	7.6	—103	—7.1	—2.6	—48.3

NOTE: Detail may not add to totals due to rounding.

CHART 34

Unemployment rates have improved least in groups where labor force increases were sharpest.



Source: U.S. Department of Labor.

white men dropped by 60 percent. Long-term unemployment (15 weeks or more) was down by 70 percent.

Yet, some workers experienced little improvement. Unemployment rates did not decline much, for example, among teenagers, particularly the nonwhite. (See chart 34.) The number of unemployed white teenagers was almost unchanged (670,000 to 635,000) over the 6-year period, although there was some reduction in their unemployment rate, from 15.3 percent to 11.0 percent, as a result of the teenage population and employment increases. The number of jobless nonwhite teenagers rose over the period from 160,000 to 200,000, and their rate of unemployment was barely changed (27.6 percent in 1961 and 26.5 percent in 1967). Other groups of workers, even after experiencing a sharp drop in unemployment, still had unemployment far higher than the national average. Unskilled industrial laborers, for example, had an unemployment rate of 7.6 percent in 1967. Moreover, the overall decline in unemployment has only exacerbated the frustrations of people living in city ghettos, who do not share equitably in the general progress of the community.

Nor is the current low order of numbers unemployed an indication that we have narrowed the problem to small groups whose condition may be amenable to small remedial programs. Many more persons are unemployed over the course of a year than are indicated in the average shown for a particular period. On the basis of the relationship in recent years between the average and total numbers unemployed, it is estimated that the total number of persons unemployed at some time in 1967 is about 3½ times as great as the 3 million average for the year. The total number who experienced 15 weeks or more of unemployment during the year is estimated to be about 4½ times as great as the 450,000 reported in an average month in 1967.

PROSPECTIVE LABOR FORCE DEVELOPMENTS

A number of population developments anticipated in previous years became evident in 1967, marking the beginning of significantly different patterns of population and labor force growth for several years to come. Especially noteworthy was the temporary cessation of teenage population growth and the sharp jump in the number of 20- to 34-year-old men and women.

The increase in the adult male population was one of the most significant developments. Adult men have accounted for very little population and labor force growth in recent years; actual declines have occurred among men aged 35 to 44. But beginning in 1967, the adult male population and labor force started to grow substantially, and will continue to do so for the foreseeable future.

The number of men 20 and over in the total labor force (including the Armed Forces) rose on the average by only 325,000 a year between 1962 and 1966. It increased by 750,000 between 1966 and 1967, and can be expected to increase by the same large amount in each year between 1967 and 1970. Men aged 20 to 34 can be expected to account for almost all of the growth in the number of male workers between 1967 and 1970, and for a substantially larger part of the overall labor force

increase than heretofore. From 1960 to 1966, adult men accounted for only one quarter of the total labor force increase; between 1967 and 1970, they can be expected to account for about one-half.

Population growth will also result in continued substantial labor force increases among adult women, especially those aged 20 to 34. The increases will be relatively smaller than for men workers in this age group, since fewer women than men work. Moreover, the proportion working decreases among women in their early twenties as they marry, whereas labor force participation is still going up for men in that age group. Between 1967 and 1970 population changes alone can be expected to increase the adult female labor force by 1.2 million or by about 400,000 in an average year, with fully three quarters of this increase among the 20- to 34-year-old women. In addition, increases in the proportion of women working could account for a rise of equal magnitude, if past trends continue. Labor force increases for all adult women, due to their rising worker rates, averaged 300,000 each year between 1962 and 1965 and about half a million in 1966 and 1967.

The teenage population, which was responsible for much of the Nation's recent labor force growth through 1966, but virtually none of the increase in 1967, will increase only slightly between 1967 and 1970. As a result, there should be only a very small increase in the size of the teenage labor force during this period.

These expected changes have important implications for the economy and for manpower policy. The greater availability of 20- to 34-year-old workers, especially young men, will help meet the growing needs for personnel in professional, middle-management and other skilled jobs, which in the past have usually been filled by workers in these age groups. Among the additional workers will be unprecedentedly large numbers of new college graduates. While the relatively small increase in the teenage population, whose rates of unemployment are typically high, may present unemployment problems of smaller absolute magnitude than those faced during recent years of unusually large teenage population and labor force increases, these problems will remain acute, especially among Negro teenagers.

While these prospective changes point to the increased availability of workers for professional and skilled jobs in the next several years, they may also involve potential problems. The forthcoming large increases in the adult work force, particularly among 20- to 34-year-old men, will mean that the economy must continue to expand at a rate that will provide large numbers of full-time jobs. If the weaknesses of the past year in the goods-related sector and the unusually small increase of workers on full-time schedules recur, their impact will be felt primarily by these workers. Continuation of the improvements noted at the end of 1967 becomes doubly important if these workers are to have adequate employment opportunities in the years ahead. Slackening in the momentum of economic growth probably will mean shorter hours or increased unemployment, or both, among workers in need of full-time employment.

Any sizable declines that might occur in the strength of the Armed Forces would make additional skilled workers available to the civilian economy, but at the same time would add to the already large number of young adult men who will be in need of full-time civilian employment. An Armed Forces buildup, of course, would have the opposite effect.

Other aspects of population change will have a critical impact on the employment situation in particular areas. Of major importance is the rapid increase of the Negro population in central cities and particularly in the ghettos of these cities—an increase resulting from in-migration and changing housing patterns as well as from natural growth.

As a result of the expected increasing concentration of Negroes in city slums, an even greater incidence of poverty and unemployment can be expected in these areas unless existing and forthcoming programs to assist slumdwellers are successful. Furthermore, the Negro teenage population in these areas is expected to grow significantly, contrary to the trend for teenagers generally. Particularly strong assistance will be necessary to find employment for these young slumdwellers.

SOME CONCLUSIONS

In 1967 the country averted an economic downturn and continued instead to complete its 7th consecutive year of expansion. Although gains for the year as a whole were small in comparison with the sharp advances of the previous 2 years, and in some respects no further progress was made be-

yond what had been achieved before, by yearend the forces of growth were abundantly evident and pointed to a renewal of improvement in the employment situation.

Between the third and last quarter of 1967, the Nation's output increased at an annual rate of over 5 percent, nonfarm jobs at a rate of 2.8 million a year, factory workers' weekly earnings at a rate of about 8 percent, and retail prices at a rate of about 3 percent.

The sharply contrasting situations at the opening and close of the year revealed the complexities surrounding further progress in reducing unemployment and spreading the benefits of stable employment. The slowdown in early 1967—largely a reaction to the unbalanced rapid growth of the preceding year—exposed the particular vulnerability of disadvantaged workers. Large numbers of these workers have only recently begun to benefit from the additional jobs, occupational upgrading, and rising incomes that have accompanied high and sustained economic growth. But the first signs of economic slowdown in 1967 were reflected in layoffs of blue-collar workers and in rising unemployment among unskilled workers, Negroes, and teenagers.

By the end of 1967, with the economy again sharply on the upgrade, the overall unemployment rate and the rates for most (but significantly, not all) groups in the labor force were down to lows which have not been bettered since the Korean war. A typically more delayed recovery characterized the vulnerable groups.

At the same time, renewal of the economic expansion brought to the fore the dangers that attend rapid growth. A convergence of demand forces is possible on a production system that may not immediately be able to satisfy all of these demands. In consequence, rapidly rising prices, increased costs of production, and industrial shifts could result in unbalanced growth and threaten continuation of the progress being made. At a time when the Nation is poised to move on to full employment, a policy of carefully selecting the growth targets that will make the greatest relative impact on the disadvantaged is indicated. This is essential to preserve balance in that growth and protect the gains already made as well as the capabilities for further progress.

It is important, however, to guard against injury to those vulnerable workers who have only recently begun to benefit from the economic expansion, and to continue and intensify efforts at improving the situation of those who still remain disadvantaged. Because those who suffer the indignities of poverty, discrimination, and disadvantage stand in such marked contrast to the increasingly affluent majority, their problems claim special urgency. The following chapter on New Developments in Manpower Programs discusses the programs which have been undertaken to reach the disadvantaged and provide them with the skills and other assistance needed to equip them for employment, so that all who want jobs are enabled to obtain them.